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GENERAL ASSEMBLY
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STRENGTHENING OF THE COORDINATION OF HUMANITARIAN AND DISASTER RELIEF ASSISTANCE OF THE UNITED NATIONS, INCLUDING SPECIAL ECONOMIC ASSISTANCE: SPECIAL ECONOMIC ASSISTANCE TO INDIVIDUAL COUNTRIES OR REGIONS
MEASURES TO ELIMINATE INTERNATIONAL TERRORISM

SECURITY COUNCIL
Fifty-first year

Note verbale dated 30 August 1996 from the Permanent Mission of Bulgaria to the United Nations addressed to the Secretary-General

The Permanent Mission of the Republic of Bulgaria to the United Nations presents its compliments to the Secretary-General of the United Nations and with reference to General Assembly resolution 50/58 E of 12 December 1995 and the latter's note verbale of 22 February 1996, has the honour to transmit herewith the text of a national communication on the implementation of General Assembly resolution 50/58 E, entitled "Economic assistance to States affected by the implementation of Security Council resolutions imposing sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro)".

The Permanent Mission of the Republic of Bulgaria has the honour to request that the annexed communication be circulated as an official document of the General Assembly, under items 21 (b) and 153, of the provisional agenda, and of the Security Council.

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* A/51/50.

ANNEX

National communication on the implementation of General Assembly resolution 50/58 E entitled "Economic assistance to States affected by the implementation of the Security Council resolutions imposing sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro)"

By virtue of its geographical location and the character of its economy (80 per cent oriented towards and dependent on foreign markets), Bulgaria has been extremely vulnerable to the negative side-effects of the United Nations Security Council sanctions imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro). The situation became critical owing to the accumulation of losses endured by the implementation of the previous United Nations Security Council resolutions imposing sanctions on the Libyan Arab Jamahiriya and Iraq, Bulgaria's biggest economic partners among the developing countries.

Coupled with the ongoing process of difficult transition from a centrally planned to a market-oriented economy, the special economic problems resulting from the implementation of the sanctions regime more than four years ago now continue to exert their negative impact on the national economy and on the overall social and economic situation in the country.

Last but not least, the sanctions' negative impact, affecting trade before all, undermines the efforts aimed at reorienting the Bulgarian foreign trade from former Council for Mutual Economic Assistance (CMEA) countries to the countries of the European Union and the European Free Trade Association (EFTA) (the Association agreement with the European Union entered into force on 1 February 1995). The embargo regime coincided with the final and very sensitive round of negotiations on Bulgaria's accession to the General Agreement on Tariffs and Trade Organization (GATT)/World Trade Organization (WTO).

I. Losses sustained by the Bulgarian economy

The analysis based on several relatively distinct data sources can be summed up as follows:

A. General classification

Losses were caused by the interruption of economic relations with the Federal Republic of Yugoslavia. Bilateral trade and economic cooperation in the early 1990s were growing. In 1992, the volume of bilateral trade increased fivefold as compared to the same period of 1991 and the relative share of the Federal Republic of Yugoslavia in the overall trade of Bulgaria grew from 1 to 9 per cent. The analysis of the long-term agreements on trade, industrial cooperation, joint investment, etc., indicates that this trend would have continued and even intensified provided the sanctions regime had been avoided.

The bulk of the losses is a result of the disruption of traditional commercial routes for the Bulgarian export to Central and Western Europe that resulted in substantial scaling down of economic relations with countries from this part of the continent. Until the enforcement of the sanctions regime 75 per cent of the Bulgarian export had been transiting through the territory of the Federal Republic of Yugoslavia. The use of alternative commercial routes bypassing the target country led to substantial increases of the cost and transporting time both for export and import. This fact was extremely harmful for the Bulgarian perishable goods, mainly fruits and vegetables, which resulted in unrecoverable loss of traditional market shares in Europe for the Bulgarian export of such goods. The lifting of the sanctions regime alone is not enough to reverse this situation.

Another side-effect was the curtailment and even termination of a number of joint projects for economic cooperation with Western and Central European partners.

Suspended re-export, barter and other multilateral transactions of Bulgarian private and State-run companies with foreign partners represent another considerable source of losses.

B. Methodology for evaluation of losses

Different methodologies have been applied by the Government of Bulgaria in order to analyse the available data. They are based on the concept of direct (impact on the balance of payments), indirect and additional losses and include the methods of evaluating losses declared by Bulgarian economic entities, of analysis and simulation of foreign trade with the Federal Republic of Yugoslavia and the country's balance of payments (trade in goods and services) as well as the method of expert analysis by line ministries. The concept was developed and implemented on the recommendation of the United Nations Development Programme (UNDP) mission in Bulgaria. Following this approach the estimates of the direct losses for the period 1992-1995 amount to US$ 1.6 billion. This figure excludes indirect losses and foregone benefits as well as losses suffered by the private sector. The total amount of losses for the period 1992-1995 was approximately US$ 8 billion.

C. Losses by economic sectors

The available data could be structured following the economic sectors most affected by the implementation of the embargo regime. The industry, foreign trade and transport have registered heaviest losses owing to annulled contracts, outstanding payments, forfeits, foregone benefits, etc. The sectors of energy, tourism and construction are relatively less affected.

II. Assistance received so far

As outlined in the Secretary-General's report (A/48/573-S/26705) the absence of an internationally recognized methodology for the evaluation of

losses sustained by third countries makes it difficult to disentangle the losses directly attributable to the embargo from the adverse impact of other macroeconomic factors. Therefore most of the donor countries and the United Nations organizations have contemplated intensifying their current technical assistance programmes (the Poland Hungary Aid for the Reconstruction of the Economy (PHARE) programme of the European Union, as well as UNDP). The scope and volume of the support largely depend on political will and/or the capacity to provide assistance.

The period of the implementation of sanctions has shown the lack of preparedness of the international community to respond in an adequate manner to difficulties and unforeseen negative consequences for third States neighbouring the target country. This conclusion was drawn up in the letter dated 18 May 1995 from the States directly affected by the implementation of the United Nations Security Council resolutions imposing trade and economic sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) (Bulgaria, Greece, the Republic of Moldova, Romania and Ukraine) addressed to the Secretary-General of the United Nations (A/50/189-S/1995/412). The letter drew the attention of the forum to the serious economic difficulties sustained by these countries as a result of the implementation of the sanctions and put forward some proposals for feasible steps to be undertaken in order to ease the burden of the affected States.

III. Proposals for assistance

- Easing the access of companies from the interested affected States to orders by United Nations humanitarian organizations for rendering humanitarian assistance to Bosnia and Herzegovina and the Federal Republic of Yugoslavia (Serbia and Montenegro), including for displaced persons (refugees and returnees);

- Participation of companies of the affected third States to post-conflict reconstruction and rehabilitation of the crisis-stricken areas;

- Assistance for the improvement of the regional infrastructure, including long-term transport infrastructure projects. The Crete European Conference of the Ministers of Transport (1994) defined four priority transport corridors crossing the territory of Bulgaria: corridor IV - Berlin-Prague-Budapest-Krayova-Sofia-Athens-Istanbul; corridor VII - the Danube river; corridor VIII - Dourrasi-Skopie-Sofia-Bourgas; and corridor IX - Helsinki-Moscow-Kiev-Bucharest-Dimitrovgrad. These corridors would provide for the promotion of regional trade and overall cooperation, they will be of common benefit for the countries of Western, Central and Northern Europe offering fast connection with the Middle East, the Mediterranean and the Black Sea. Therefore additional efforts and resources should be concentrated for the successful realizations of those priority projects. The international financial institutions and the donor community have a particular role to play in this regard.

It should be noted that even after the lifting of the sanctions the commercial traffic through the Federal Republic of Yugoslavia has not yet resumed its pre-sanctions volume owing to high road taxes and tolls applied by the Federal Republic of Yugoslavia and the continuing uncertainty of the post-crisis situation prevailing in the country.

IV. Regional cooperation

In paragraph 7 of its resolution 50/58 E, the General Assembly encouraged the States of the region affected by the implementation of the Security Council resolutions imposing sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) to cooperate actively on a regional basis in such fields as cross-border infrastructure projects or promotion of trade, thus alleviating the adverse impact of the sanctions.

With the establishment of peace in Bosnia and Herzegovina, new opportunities are opening up for expanding regional cooperation, which meets the expectations of the peoples of the region. Bulgaria welcomes the initiative to convene the donor's conference in Brussels to pledge support from the international community for the economic recovery and reconstruction of the region. This process creates opportunities for the countries in the region, including Bulgaria, to mitigate partially the adverse impact endured by their economies owing to the observation of the sanctions regime. The Balkan Conference on Stability, Security and Cooperation in South-Eastern Europe, held at Sofia on 6 and 7 July 1996, and convened at the initiative of the Government of Bulgaria, has reconfirmed the determination of the States to transform the region of south-eastern Europe into an area of stability, security and cooperation. Taking into consideration all new developments, the Conference emphasized the necessity to extend good-neighbourly relations, to enhance economic and infrastructure cooperation and to promote humanitarian, social and cultural contacts. The ministers confirmed the willingness of their respective Governments to work for the consolidation of the peace process in all its aspects.

The prospects for multilateral cooperation in the context of the European integration process have been analysed. In this connection the countries of the region have expressed their readiness to interact with other regional organizations and initiatives such as the Organization for Security and Cooperation in Europe (OSCE), the Central European Initiative, and the Black Sea Economic Cooperation. In this process, it is important to work for the introduction of common norms and standards in the field of production, investment, transfer of technologies, financing and trade, with the aim of facilitating regional economic cooperation and the gradual integration of the economies of the countries of the region into the European economy. In this regard the Economic Commission for Europe (ECE) has a particular role to play, especially in developing the European infrastructure, the setting of norms and standards, the facilitation and financing of trade, legal frameworks for privatization and investment promotion.

The economic cooperation is the key element of post-war peace and confidence, security and stability in the region. Regional economic cooperation

has a significant role to play for the smoother integration of the countries of the region into the world economy in the context of liberalization of trade and globalization of economy. Hence, any perspective vision of the economic future of the region has a bearing on the institutional and legal aspects of the regional economic cooperation.

The strengthening of regional interrelations would provide for increasing foreign investment. Special attention was paid to the trans-border cooperation on bilateral and multilateral basis, aimed at elaborating a regional programme for its development with the assistance of the European Union and other interested international organizations.

In the field of transport, telecommunications and energy infrastructure, special emphasis was put on the infrastructure development in the region, which is vital for trade and economic performance, as well as for attracting capital flows. Upgrading and modernizing the transport, telecommunications and energy infrastructure in the subregion, the cooperation with the countries of the Central European Initiative and the Black Sea Economic Cooperation is of paramount importance. The development of the transport infrastructure implies mainly the concept for development of the east-west and north-south transport corridors, which are included in the national short- and long-term programmes for the development of the regional transport infrastructure. This will spur trade relations among the countries of the region as well as with the countries of Western Europe, the Commonwealth of Independent States and the Middle East. Bulgaria attaches great importance to the improvement of border facilities, customs procedures and infrastructure, including road and railway communications with the border-crossing checkpoints, as well as opening of new ones. In this connection Bulgaria has proposed the setting up of a Transregional Centre for Transport Infrastructure at Sofia, in conformity with the recommendations of the OSCE Seminar on the Role of Trans-European Infrastructure for the Development of Stability and Cooperation in the Black Sea Region (Sofia, 15-17 November 1995). This proposal was supported at the Sofia Conference. The convening of the meeting of the Ministers of Transport of the Black Sea Economic Cooperation participating States and the countries of the Central European Initiative in Sofia in November 1996 will be an important event in developing regional transport cooperation in accordance with the decisions of the Black Sea Economic Cooperation Ministerial Conference at Bucharest.

The cooperation trends in the area of telecommunications and postal services in the region has been encouraging. The April 1996 meeting of the Ministers of the Balkan countries responsible for postal administration and telecommunications, recommended the setting up of a Telecommunications Coordination Committee and a Balkan Postal Pool and came up with some other new initiatives as well.

The promotion of trade, tourism and investment is expected to become a major source for sustainable economic development in south-eastern Europe, for the reconstruction and rehabilitation of the war-stricken area and for integration of the region into larger economic environments. A positive contribution in that direction would be the conclusion of bilateral agreements on free trade areas in conformity with European Union regulations as applicable, and in line with the provisions of the World Trade Organization's agreements.

V. Implementation of Chapter VII of the Charter of the United Nations

Bulgaria has always underlined the importance of setting up a mechanism for the effective application of Article 50 of the Charter. Such a mechanism should be based on the understanding that the application of coercive measures is a collective endeavour and the hardship for the third countries should be equitably shared among all Member States. Bulgaria fully supports the proposals in this regard contained in General Assembly resolution 47/120 B, part IV, on "An Agenda for Peace", and resolutions 48/210, 48/58, 49/21 A, 50/58 E and 50/51, dealing with economic assistance for States affected by the implementation of United Nations Security Council sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) as well as with the implementation of the provisions of the Charter of the United Nations, including Article 50, related to the special economic problems confronting States and arising from the carrying out of sanctions mandated under Chapter VII of the Charter. The proposals contained in these resolutions indicate the growing understanding of the international community and an emerging consensus among the Member States on the issue of sanctions. Bulgaria considers that special attention should be paid to the following suggestions:

- Prior to the imposition of sanctions, consultation should be held with third countries most likely to be affected by the imposition of sanctions and assessment of the potential impact of sanctions on them. In this regard the elaboration of internationally recognized methodology for the evaluation of incurred losses is necessary. During the sanctions regime a mechanism of permanent consultations with third countries should also be envisaged;

- Ways of assisting Member States that are suffering collateral damage should be explored and claims submitted by these States under Article 50 should be evaluated;

- The bodies entrusted with the task to monitor the implementation of the sanctions in discharging their mandates should avoid placing additional hardship on third countries;

- Consideration should be given to the possibility of establishing a time-frame for the application of sanctions;

- Improvement should be made to the methods of work and to ensuring transparency of the procedures of the Security Council and the sanctions committees and to the adoption of expeditious working procedures;

- Consideration should be given to possibilities for exemptions from sanctions regimes;

- The possibility of establishing a trust fund to assist third States financially affected by the imposition of sanctions should be explored;

- Economic assistance should be provided by international financial institutions, including debt relief, emergency loans on highly concessional terms;

- Consideration should be given to all other forms of support, including direct assistance in cash or in kind, provision of alternative sources of supply and alternative markets, specific commodity purchase agreements, compensatory adjustments of the international tariffs, assistance for promotion of investments and technical cooperation to the affected countries.